

Semiannual Report to Congress

October 1, 2020 – March 31, 2021



Message from the Inspector General

April 30, 2021



Hannibal "Mike" Ware
Inspector General

I am honored to submit our *Semiannual Report to Congress* for the first half of fiscal year 2021. Every 6 months, we report to Congress our independent oversight of the U.S. Small Business Administration (SBA), as required by law.

More than a year has passed since the Coronavirus Disease 2019 (COVID-19) pandemic sparked a nationwide economic crisis. Since March 2020, our focus has been on providing oversight of SBA's pandemic response efforts to combat program fraud, ensuring these programs are being efficiently and effectively managed.

Pandemic Response Oversight

SBA's tremendous role in the nation's pandemic response is without precedent. SBA has expended more than a trillion dollars in lending

authority and entrepreneurial assistance in the wake of the pandemic. The speed and reduced controls surrounding this lending authority brought with it substantially increased risk.

There is no higher priority for our office than providing oversight of SBA and the taxpayer's funds at stake through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and ensuing economic stimulus response laws aimed at mitigating the pandemic. We have identified SBA's economic relief programs being susceptible to significant fraud risks and vulnerabilities as a top management challenge for SBA.

Our office published a robust oversight plan in April 2020 and immediately initiated its first reviews focusing on implementation and eligibility of the Paycheck Protection Program, Economic Injury Disaster Loans, and the entrepreneurial development programs.

Leveraging supplemental resources provided by Congress, we have announced an aggressive oversight plan for calendar year 2021. To date, we have published 12 reports on pandemic oversight, about half of them during this semiannual period.

We have issued dozens of recommendations for corrective action aimed at strengthening internal controls and promoting efficiency and effectiveness. Our pandemic oversight efforts already have identified billions of dollars in potential fraud and improper payments.

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Working in concert with our law enforcement partners over the past year, more than 200 fraudsters have been brought to justice and some \$600 million seized or recovered to make taxpayers whole.

We have also received more than 150,000 Hotline complaints about waste, fraud, and abuse in SBA's programs and operations—more than 150 years' worth of complaints prior to the pandemic. We expect most of them will result in thousands of more investigations.

Although we continue to evaluate and recommend corrections for the most critical risks facing SBA during normal circumstances, there is no doubt that oversight of pandemic relief funds and combating fraud in these programs will be a top priority for many years to come.

OIG Accomplishments this Period

 12
Reports

 119
Indictments

 81
Recommendations

 32
Convictions

Our Work this Period

During the 6-month period from October 2020 to March 2021, OIG issued 12 reports with 81 recommendations to improve SBA operations and reduce fraud and unnecessary losses in agency programs. In addition, OIG investigations resulted in 119 indictments and 32 convictions. Overall, OIG's investigations and audit work achieved monetary recoveries and savings of \$85.4 million during this semiannual period.

We're also keeping watch over government contractors for business ethics, integrity, honesty, and competency, ensuring taxpayer dollars are well spent.

OIG Staff Dedication and Success

I am proud of the significant body of work our auditors, investigators, and support professionals have produced since the pandemic began. It is an honor to work with such high-caliber professionals dedicated to protecting the interests of all American taxpayers.



Hannibal "Mike" Ware
SBA Inspector General



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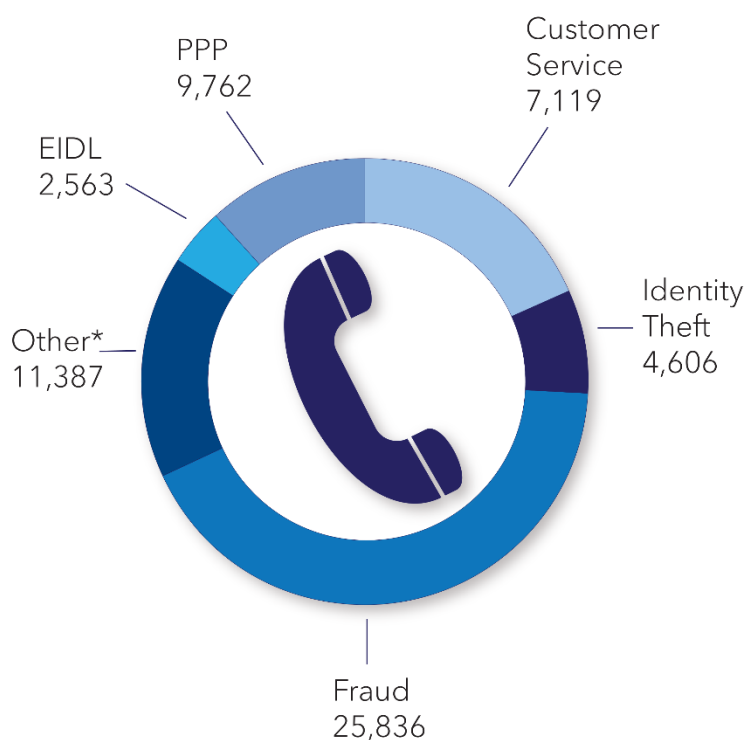
OIG Hotline

All federal Offices of Inspector General have a Hotline function that allows anyone to lodge a complaint when they suspect wrongdoing involving government programs or functions. The SBA OIG Hotline handles allegations of waste, fraud, abuse, or serious mismanagement within SBA or its programs from employees, contractors, and the public.

Record-setting Numbers

Hotline work has changed dramatically because of the COVID-19 pandemic, overwhelming the system and the staff.

During this semiannual period, the OIG Hotline received more than 61,000 complaints of loan fraud and abuse, identity theft, and problems with SBA's customer service.



*"Other" includes backlogged complaints and has not been broken down by category

In total, in the year from March 2020 to April 2021, the Hotline received more than 150,000 complaints related to loan fraud.

Contrast that figure against the 742 complaints received in all of 2019 and the picture that emerges is one of an overwhelming surge. OIG's Hotline team has been diligently working through an enormous backlog of tens of thousands of complaints.

Complaints come to us primarily through our online submission form. The Hotline staff members review each allegation and consult with OIG's Investigations Division, Audits Division, and Office of Counsel to determine the appropriate course of action.

OIG follow-up of Hotline complaints may result in corrective actions, audits, or administrative, civil, or criminal investigations. Our Hotline staff monitors the progress of matters

referred to SBA program offices for action to ensure the agency has promptly followed up, adequately resolved allegations, and documented any corrective actions.

SBA's Top Management and Performance Challenges

Each year, OIG is required to report on the most serious management and performance challenges facing the agency. SBA includes our assessment in the agency financial report, as required by the Reports Consolidation Act of 2000 and Office of Management and Budget (OMB) Circular A-136.

The management challenges represent areas that OIG considers particularly vulnerable to fraud, waste, abuse, or mismanagement, or which otherwise pose significant risk to the agency, its operations, or its credibility. Each management challenge generally originated from one or more reports issued by OIG or the Government Accountability Office.

We do not rank the challenges in order of importance or magnitude, except for the COVID-19 challenge. We view all eight challenges as critically important to SBA operations in the upcoming year. However, we placed COVID-19 economic relief programs at the top of the list for the 2021 report in recognition that it is the agency's most acute challenge.

SBA Top Management Challenges

Challenge 1

SBA's Economic Relief Programs Are Susceptible to Significant Fraud Risks and Vulnerabilities

Challenge 2

Inaccurate Procurement Data and Eligibility Concerns in the Small Business Contracting Programs Undermine the Reliability of Contracting Goal Achievements

Challenge 3

SBA Needs to Improve Oversight of IT Investment and Reduce IT Security Risks

Challenge 4

SBA Risk Management and Oversight Practices Need Improvement to Ensure the Integrity of Loan Programs

Challenge 5

SBA's Management and Monitoring of Section 8(a) Business Development Program Needs Improvement

Challenge 6

Identification of Improper Payments in SBA's Loan Programs Remains a Challenge

Challenge 7

SBA's Disaster Assistance Program Must Balance Competing Priorities to Deliver Prompt Assistance but Prevent Potential Fraud

Challenge 8

SBA Needs Robust Grants Management Oversight

Summary of OIG Oversight Work

Pandemic Response Oversight

To support businesses affected by the COVID-19 pandemic, Congress tasked SBA with lending more than \$373 billion in COVID-19 Economic Injury Disaster Loans (EIDLs) and \$20 billion in COVID-19 emergency advance grants. Congress also appropriated additional funds for new disaster assistance programs. -\$35 billion for targeted EIDL advances, \$16.25 billion for the Shuttered Venue Operators Grants program, and \$28.6 billion for restaurant revitalization.

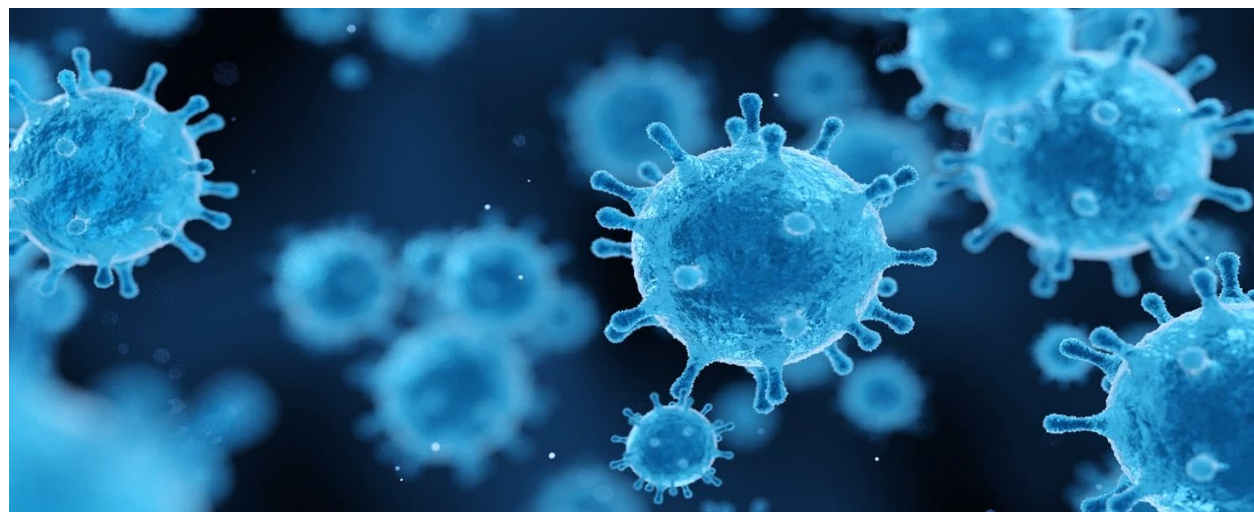
In addition, the Coronavirus Aid, Relief and Economic Security (CARES) Act also provided \$349 billion for the creation of the Paycheck Protection Program (PPP) under Section 7(a) of the Small Business Act. Congress added an additional \$310 billion to the PPP on April 24, 2020, through the Paycheck Protection Program and Health Care Enhancement Act.

On December 27, 2020, through the Consolidated Appropriations Act of 2021, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act extended the program through March 31, 2021. The Economic Aid Act provided an additional \$147.5 billion in program funding, which increased the total program funding to \$806.5 billion.

SBA's need to quickly provide relief to small businesses led to reduced controls on pandemic-related loans, substantially increasing the fraud risk. It was immediately clear that pandemic relief efforts had drawn the attention of unscrupulous business owners and greedy criminals.

Within weeks, complaints from lenders and allegations of widespread fraudulent activity overwhelmed OIG's Hotline. We launched hundreds of investigations and audits to root out the fraud and abuse endangering these critical resources.

The following summarizes our pandemic oversight work this period.





Evaluation of SBA's Award Procedures for the CARES Act Entrepreneurial Development Cooperative Agreements (Report 21-11)

This report found that SBA awarded the CARES Act entrepreneurial development cooperative agreements and grants in accordance with applicable federal laws, regulations, and guidance. We found program officials established performance goals and identified performance indicators.

SBA should clearly define the performance goals and set performance targets to effectively ensure performance goals are achieved as intended. We recommended that SBA enforce standard operating procedures requiring defined performance goals and include performance targets in all future Small Business Development Centers and Women's Business Center cooperative agreements and grants.

We also recommended that SBA collect and analyze the CARES Act entrepreneurial development cooperative agreement recipient's performance results and establish a goal-setting process for technical assistance programs established for future disasters. SBA management agreed with both recommendations.

Access this [Evaluation Report](#) on the SBA OIG Reports site.



Duplicate Loans Made Under the Paycheck Protection Program (Report 21-09)

OIG reviewed PPP regulations, the Paycheck Protection Program and Health Care Enhancement Act, and guidance published in SBA's PPP Interim Final Rules and PPP Frequently Asked Questions. We determined SBA did not always have sufficient controls in place to detect and prevent duplicate PPP loans.

As a result, lenders disbursed more than one PPP loan to 4,260 borrowers with the same tax identification number and borrowers with the same business name and address. These disbursements totaled about \$692 million in PPP loans approved from April 3--August 9, 2020.

We recommended four actions for SBA to strengthen controls and review PPP loan disbursements to identify duplicates and take action to recover the funds.

Access this [Flash Report](#) on the SBA OIG Reports site.



Inspection of SBA's Implementation of the Paycheck Protection Program (Report 21-07)

SBA's initial response to implement the PPP quickly made billions of dollars of capital available to millions of borrowers affected by the COVID-19 pandemic. SBA quickly released loan origination program guidance for most program aspects and approved approximately 3,800 financial institutions for participation in the program.

However, SBA's efforts to hurry capital to businesses were at the expense of controls that could have reduced the likelihood of ineligible or fraudulent business obtaining a PPP loan. We analyzed PPP loan data and identified three unique scenarios that indicate PPP loans were approved for potentially ineligible and, in some cases, fraudulent recipients. We found nearly 55,000 loans totaling approximately \$7 billion to potentially ineligible businesses.

We found SBA's PPP publicly reported and loan-level data was inaccurate and incomplete, and SBA guidance was not sufficient to ensure PPP lenders prioritized underserved markets during the initial round of funding. We made six recommendations to improve SBA's program and reduce the risk of financial loss from PPP loans being made to ineligible or fraudulent borrowers and improve SBA's ability to obtain information necessary for critical program decisions.

Access this [Inspection Report](#) on the SBA OIG Reports site.



Management Alert Paycheck Protection Program Loan Recipients on the Department of Treasury's Do Not Pay List (Report 21-06)

Because of complaints of fraud received by the OIG, we collaborated with the U.S. Department of the Treasury Do Not Pay Business Center. We identified high-risk transactions related to financial assistance to small businesses for the COVID-19 pandemic. Our review of Treasury's analysis showed approximately \$3.6 billion in PPP loans to potentially ineligible recipients.

This Management Alert called for fast management action to reduce or prevent losses from improper payments to lenders for amounts ineligible for forgiveness as well as any fees. After OIG communicated summary results to SBA management (before we published the report), SBA officials requested Treasury's results and immediately put a "hold" flag on loans identified by the Do Not Pay team.

To establish more effective oversight controls related to the PPP, we recommended the agency promptly identify PPP loans that had not been fully disbursed, follow-up with the lenders to stop \$280 million in potential improper loan disbursements and strengthen SBA controls to ensure that loans to ineligible recipients are not forgiven.

We also recommended the agency review prepayment and pre-award procedures and work with Treasury to formulate a technical approach to use Treasury's DNP portal to determine loan applicant eligibility and prevent improper payments.

Access this [Management Alert](#) on the SBA OIG Reports site.



Evaluation of CARES Act Debt Relief to 7(a) Borrowers (Report 21-03)

This report presented the results of our evaluation of SBA's implementation of debt relief for borrowers in the 7(a) program. Section 1112 of the Coronavirus Aid, Relief and Economic Security provided \$17 billion in debt relief to borrowers in the 7(a), 504, and Microloan programs.

We found SBA effectively ensured that more than 224,000 borrowers of 7(a) loans received \$2.6 billion in debt relief within the first 3 months of the CARES Act. By June 2020, SBA had verified that nearly all reported eligible 7(a) borrowers had received subsidy payments.

We also found SBA could improve payment controls to ensure only eligible borrowers receive subsidy payments. We identified issues with lender reported information that increased the risk of either making payments to ineligible borrowers or making excessive payments. We found \$43 million in subsidy payments went to borrowers that may have been ineligible.

We recommended SBA incorporate additional verification procedures before approving subsidy payments. We also recommended SBA establish post-payment audit procedures using a risk-based approach and recover any overpayments identified during the post-payment audit. SBA management's planned actions resolved the recommendations.

Access this [Evaluation Report](#) on the SBA OIG Reports site.



Inspection of Small Business Administration's Initial Disaster Assistance Response to the Coronavirus Pandemic (Report 21-02)

The unprecedented demand for COVID-19 EIDLs and the equally unprecedented challenges SBA had in responding to this pandemic combined with lowered controls resulted in billions of dollars in potentially fraudulent loans and grants to potentially ineligible businesses. We found that SBA, in its effort to provide billions of dollars of capital to small businesses quickly, relaxed internal controls, which significantly increased the risk of program fraud

Our analysis of SBA's COVID-19 EIDL data revealed that, as of July 31, 2020, SBA had approved more than \$14 billion (\$13.4 billion disbursed) in COVID-19 EIDLs to accounts that differed from the original bank accounts listed on the loan applications. We also found that some \$62.7 billion (\$58 billion disbursed) in multiple (between 2 and 245) COVID-19 EIDLs to applicants using the same Internet provider addresses, email addresses, bank accounts, or businesses listed at the same addresses.

In addition, potentially ineligible applicants received approximately \$1.1 billion in COVID-19 EIDLs and emergency advance grants. We made 10 recommendations for SBA to strengthen its controls to lower fraud risk and recover funds from ineligible applicants.

Access this [Inspection Report](#) on the SBA OIG Reports site.

Investigations



Texas Man Guilty of Filing \$10 Million in Fraudulent Bank Loan Applications

A 30-year-old Beaumont, Texas, engineer pleaded guilty to filing fraudulent bank loan applications seeking more than \$10 million dollars in forgivable loans. He had been charged with violations of wire fraud, bank fraud, false statements to a financial institution, and false statements to the SBA.

As part of his guilty plea, the man admitted that he sought millions of dollars in forgivable loans guaranteed by the SBA from two different banks. He claimed to have 250 employees earning wages but, in fact, he had no business and no employees.

The Texas Workforce Commission provided information to investigators of having no records of employee wages having been paid in 2020 by the man or his purported business.

This case was investigated by SBA OIG, the Federal Housing Finance Agency Office of Inspector General, Federal Deposit Insurance Corporation (FDIC) OIG, and the U.S. Postal Inspection Service Criminal Investigations Group.



Couple Behind "My Buddy Loans" Indicted for Wire Fraud and Aggravated Identity Theft

A Liberty County, Texas, man and woman were indicted for filing hundreds of fraudulent economic injury loans. The couple allegedly operated a COVID-19 relief fraud scheme known as "My Buddy Loans." This scheme garnered them more than \$700,000 in fraudulent proceeds and resulted in at least \$1.3 million in loss to U.S. taxpayers.

In exchange for a fee, My Buddy Loans took personal identifying information from victims and promised to file an application for an agricultural grant, which the owners said was available to those who owned a few acres of land. Instead, the criminals actually filed fraudulent EIDL applications using victims' personal identification information.

We investigated this case jointly with the U.S. Secret Service.



Man Purchased Lamborghini After Receiving \$3.9 Million in PPP Loans

A Miami, Florida, man pleaded guilty for fraudulently obtaining about \$3.9 million in PPP loans and using those funds to purchase a \$318,000 Lamborghini sports car for himself. He also pleaded guilty to one count of wire fraud.

The man admitted he fraudulently sought millions of dollars in PPP loans on behalf of different companies and used the funds to purchase a 2020 Lamborghini Huracan sports car within days of receiving the PPP funds. The man did not make payroll payments but instead used the PPP proceeds for personal expenses.

We investigated this case jointly with the FDIC OIG, U.S. Postal Inspection Service Criminal Investigations Group, the Internal Revenue Service, and the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection OIG.

Small Business Access to Capital

SBA provides small businesses with capital and financial assistance through several key programs. SBA has a financial assistance portfolio of guaranteed and direct loans that totaled about \$836 billion as of September 30, 2020. Over the years, OIG has worked closely with the agency to identify potential points of risk and improve SBA's oversight and controls to ensure eligible participants most in need of assistance benefit from these programs.

The Section 7(a) Loan Program is SBA's principal vehicle for providing small businesses with access to credit that cannot be obtained elsewhere. Proceeds from a 7(a) loan may be used to establish a new business or to assist in acquiring, operating, or expanding an existing business. This program relies on numerous outside parties (such as borrowers, loan agents, and lenders) to complete loan transactions.

SBA has centralized many loan approval and servicing functions and reduced the number of staff performing these functions, placing more responsibility on and giving greater independence to lenders. Past OIG reviews have reported on these trends, and OIG continues to identify weaknesses in SBA's lender and loan agent oversight processes.

Criminals use a wide array of techniques to fraudulently get—or induce others to obtain—SBA-guaranteed loans. The techniques include submitting fraudulent documents, making fictitious asset claims, manipulating listed property values, using loan proceeds contrary to the terms of the loans, and failing to disclose debts or previous criminal records. Consequently, there is a greater chance of financial loss to the agency and its lenders. OIG dedicates a significant portion of its resources to identifying wrongdoers and, whenever possible, recovering taxpayer funds.

During this semiannual period, our work in this program area was focused on the pandemic response programs. Consequently, we have included those reports and investigations in the Pandemic Response Oversight section.

Disaster Assistance Program

Disaster assistance has been part of the agency since its inception in 1953. Through its Office of Disaster Assistance, SBA provides long-term, low-interest financial assistance to businesses of all sizes, private nonprofit organizations, homeowners, and renters following a declared disaster. Each year, SBA approves hundreds of millions of dollars in disaster assistance loans.

The Disaster Assistance Loan Program is the only form of SBA assistance not limited to small businesses. The program's disaster assistance loans are the primary form of federal assistance for repairing and rebuilding nonfarm, private sector losses following a declared disaster.

The program includes four categories of loans for disaster-related losses:

- Home disaster loans
- Business disaster loans (includes PPP loans)
- Economic injury disaster loans (includes pandemic relief loans)
- Military reservist economic injury loans

Audits, Inspections, and Evaluations



General Management Advisory SBA's Use of Vendors Without a Contract (Report 21-08)

OIG issued this Management Advisory to notify management of a significant matter we identified during our audit of SBA's management of foreclosed properties. We discovered that SBA had been using three vendors without a contract since fiscal year (FY) 2012. As of February 18, 2020, SBA had paid these vendors an estimated combined total of more than \$10.8 million in unauthorized commitments.

We recommended SBA require responsible personnel to execute a contract for foreclosure and real estate services to ensure the procurement of services are obtained and authorized in accordance with the Federal Acquisition Regulation requirements.

We also recommended SBA ensure vendors used to provide foreclosure and real estate services are registered and that the agency ratify the more than \$10.8 million in payments in accordance with the Federal Acquisition Regulations and 48 C.F.R. § 1.602-3.

Access this [Management Advisory](#) on the SBA OIG Reports site.



Consolidated Results of SBA's Initial Disaster Assistance Response to Hurricanes Harvey, Irma, and Maria (Report 21-05)

In 2017, after hurricanes Harvey, Irma, and Maria resulted in catastrophic damage, OIG conducted three inspections to assess SBA's initial disaster assistance response. This review summarized the results of those inspection reports.

The unprecedented damage, application volume, and magnitude of hurricanes Harvey, Irma, and Maria presented challenges for SBA. However, within nine days of Hurricane Harvey, the agency established both disaster and recovery centers.

While still helping victims of Hurricane Harvey, SBA established its presence for Hurricane Irma within 20 days. Then, while still assisting Harvey and Irma disaster survivors, SBA staffed disaster recovery and

business recovery centers within 13 days in Puerto Rico and 33 days in the U.S. Virgin Islands to help victims of Hurricane Maria.

SBA quickly increased its staffing levels from 758 on August 4, 2017, to 2,579 by September 30, 2017. The agency effectively staffed and opened loan processing centers in each of the affected communities and exceeded its loan application processing goals for accepted applications for all three hurricanes.

However, SBA's response was not without difficulty. We found there was a 24 percent backlog of loan applications. SBA also did not meet its goals for answering calls and responding to email messages and some survivors were on hold 45 minutes or more waiting to discuss their applications.

To reduce the backlog and increase staffing, the agency began using USA Staffing to automate recruitment, hiring, and on-boarding processes. The agency also set new program-specific training requirements for temporary disaster employees and volunteers and awarded a new blanket-purchase agreement to three different vendors for translation services. SBA's corrective actions, when implemented, should enhance its initial response to future large-scale disasters.

Access this [Inspection Report](#) on the SBA OIG Reports site.

Investigations



Laplace Man Sentenced to Four Years of Probation for Falsifying Documentation Related to SBA Disaster Loan

A 59-year-old Louisiana man was sentenced on January 19, 2021, to 4 years of probation for falsifying documents related to a federal SBA disaster loan and ordered to pay \$161,203.19 in restitution and a \$100 special assessment fee.

The man owned a residence in LaPlace, Louisiana, and applied for and received SBA loan money to repair damages to his residence allegedly caused by Hurricane Isaac in 2012. The man submitted fraudulent documentation and statements about his annual income and the repairs performed on the LaPlace residence.

Contracting and Counseling Programs

Each year, the federal government spends hundreds of billions of dollars in federal contracts to purchase goods and services. SBA has worked to maximize opportunities for small businesses to receive these contract awards. In FY 2020, the federal government aimed for 23 percent of these award dollars to go to small businesses, as mandated in the Small Business Act.

SBA has specific programs that focus on strengthening particular types of small businesses, like those owned by service-disabled veterans and women, as well as small businesses that are disadvantaged or located in historically underused business zones (HUBZones).

The HUBZone program helps small businesses stimulate their economically challenged local economies. Similarly, to help small, disadvantaged businesses gain access to federal and private procurement markets, SBA's Section 8(a) Business Development Program offers a broad range of business development support, such as mentoring, procurement assistance, business counseling, training, financial assistance, and other management and technical assistance.

SBA also aids existing and prospective small businesses through a variety of counseling and training services offered by partner organizations. Among these partners are Small Business Development Centers, the SCORE mentoring network, and Women's Business Centers.

SBA also designed the Boots to Business program, providing transitioning service members interested in exploring business ownership or other self-employment opportunities with technical assistance and access to resources. These programs require effective and efficient management, outreach, and service delivery.

Audits, Inspections, and Evaluations



Evaluation of SBA's Eligibility Verification of 8(a) Firms Owned by Members of Federally or State-Recognized Indian Tribes (Report 21-12)

The 8(a) program has several eligibility requirements for individually owned firms, including that the business be at least 51 percent owned, controlled, and managed by U.S. citizens who are socially and economically disadvantaged.

Native Americans are one of the designated groups which includes Alaska Natives, Native Hawaiians, or enrolled members of a federally or state-recognized Indian tribe.

We found that SBA adequately verified the socially disadvantaged eligibility of 8(a) firms owned by enrolled members of a federally or state-recognized Indian tribe for the majority of the applications we reviewed, despite SBA not having documented verification procedures.

However, we also found two firms SBA admitted into the 8(a) program although owners were members of tribes not federally or state recognized. Program officials used subjective and inconsistent processes and unofficial information to determine whether Indian tribes were state recognized. These firms received \$10.9 million in 8(a) set-aside obligations from FY 2015-20 at the expense of eligible disadvantaged firms in the 8(a) program.

We recommended that SBA document the process and procedures for verifying that Indian tribes named by individually owned firms claiming socially disadvantaged status as enrolled members are federally or state recognized and train staff on the verification procedures.

We also recommended SBA review the two firms we identified that were owned by individuals who were members of Indian tribes not federally or state recognized and take prompt action to remove firms found to be ineligible. We closed this recommendation and SBA is working towards implementing corrective actions to address the other recommendation.

Access this [Evaluation Report](#) on the SBA OIG Reports site.

Investigations



Construction Company Owner Guilty of Defrauding Disabled Veteran-Owned Small Business Program

A San Antonio, Texas, the former owner of several companies in the construction industry, pleaded guilty to defrauding the SBA Service-Disabled Veteran-Owned Small Business program. His business partner also pleaded guilty in November 2020 to participating in the conspiracy.

From 2004-2017, the partner, who is a service-disabled veteran, posed as the ostensible owner of the general construction company. The other man, however, exercised financial and operational control over the construction company.

The conspirators concealed that control to win more than \$250 million in government contracts “set aside” for small, veteran-owned businesses to benefit their larger, unqualified businesses.

The true business owner pleaded guilty to one count of conspiring to commit wire fraud and defraud the United States. The false owner pleaded guilty to conspiracy to defraud the United States and is scheduled to be sentenced in June 2021. Both men face a maximum penalty of five years in prison and a \$250,000 fine.



Kansas Man Pleads Guilty in Government Contract Fraud Scheme

A Kansas man pleaded guilty to lying to a federal investigator who was looking into allegations of major program fraud.

The Overland Park, Kansas, man pleaded guilty to one count of making a false statement to a federal investigator. In his plea, the man admitted he lied during an investigation into allegations that United Medical Design Builders fraudulently received contracts from the Department of Defense through the Service-Disabled Veteran-Owned Small Business program. The man was a project manager for the company.

Agency Management

OIG is responsible for ensuring that agency management appropriately safeguards SBA from fraud, waste, and abuse, and that SBA activities directly further agency goals. As part of this work, OIG coordinates with the offices of the Chief Financial Officer, the Chief Information Officer, and the Chief Operating Officer to review financial reporting and performance management, human resources, procurements and grants, space and facilities, and maintenance of SBA's information systems and related security controls.

We note that we did not have investigative work in this program area during the period because of the demands of pandemic oversight.

Audits, Inspections, and Evaluations



SBA's Controls Over Cash Contributions and Gifts, Fiscal Years 2019-20 (Report 21-10)

Before SBA can accept a gift, the Office of General Counsel must determine that no conflict of interest exists. In addition, SBA must put any cash gifts into a separate account, and OIG is responsible for semiannual audits to ensure the agency is appropriately using and accounting for such gifts.

This compliance report presents the results of our semiannual evaluation of SBA's handling of cash contributions and gifts. We determined SBA adequately complied with the Act and SBA policies for the deposits and holdings of \$12,499 in the Business Assistance Trust Fund.

The agency used \$21,943 in existing cash funds in accordance with the Acts, regulations, and SBA policies. SBA did not report any cash contributions during the period we evaluated.

We noted a control deficiency related to the extremely overdue closeout of an SBA cosponsored activity. However, because the activity in question occurred more than 10 years ago and in light of the fact that SBA took actions in response to our evaluation, we agreed to close the recommendations.

Access this [Compliance Report](#) on the SBA OIG Reports site.



Independent Auditors' Report on SBA's FY 2020 Financial Statements (Report 21-04)

We contracted with the independent certified public accounting firm KPMG LLP to conduct an audit of the SBA's consolidated financial statements for the fiscal years ended September 30, 2020, and September 30, 2019.

KPMG auditors found significant matters for which they were unable to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion on SBA's consolidated financial statements for the year ended September 30, 2020.

Accordingly, KPMG issued a disclaimer of opinion on the consolidated financial statements as of and for the year ended September 30, 2020. The basis for this disclaimer was that during fiscal year 2020, the CARES Act and related legislation authorized funding for SBA to implement the Paycheck Protection Program and the expanded Economic Injury Disaster Loan program.

SBA was unable to provide adequate evidential matter in support of a significant number of transactions and account balances related to those programs because of inadequate processes and controls. As a result, KPMG was unable to determine whether any adjustments might have been necessary to the following:

- Credit Program Receivables and Related Foreclosed Property,
- Downward Reestimate Payable to Treasury,
- Liability for Loan Guarantees,
- the related elements in the consolidated statements of net cost and changes in net position,
- the combined statement of budgetary resources, and
- related notes to the consolidated financial statements.

SBA's 2019 consolidated financial statements present fairly, in all material respects, the financial position of the SBA as of September 30, 2019.

However, for the year ended September 30, 2020, KPMG identified seven material weaknesses, two significant deficiencies in internal controls over financial reporting, and two instances of reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements.

Access this [Auditors' Report](#) on the SBA OIG Reports site.

Other Significant OIG Activities

Background Investigations Ensure Integrity

During this reporting period, OIG initiated 57 background investigations and issued 5 security clearances for OIG employees and contractors. OIG adjudicated 24 background investigative reports.

Debarment and Other Administrative Enforcement Actions

OIG promotes program integrity by making present responsibility referrals to SBA and other agencies. Present responsibility means the business ethics, integrity, honesty, and competence of government contractors. During this reporting period, OIG did not send any present responsibility referrals to SBA.

Present responsibility referrals can result in suspensions, debarments, and similar administrative enforcement actions. These actions protect taxpayer funds from contract vendors who are not a good risk for the government.

A typical OIG referral contains a summary of allegations, evidence supporting the case, and a draft notice of suspension or proposed debarment in certain instances. Most OIG administrative referrals involve SBA's loan and contract programs. OIG ensures that a suspension and debarment official reviews all appropriate allegations arising in other contexts, such as the investigation of False Claims Act cases.

Reviews of Proposed Agency Regulations, Operating Procedures, and Other Initiatives Lead to Improved Program Controls

OIG reviews changes SBA proposes to make to its program directives, such as regulations, internal operating procedures, agency policy notices, and SBA forms completed by the public. OIG often identifies material weaknesses in the proposals and works with the agency to promote more effective controls to deter waste, fraud, and abuse. During the reporting period, OIG reviewed 57 proposed revisions of these program directives and submitted comments designed to improve 3 of these initiatives.

OIG Approval of Small Business Development Center Surveys

Section 21(a)(7) of the Small Business Act states that until Small Business Development Center information disclosure regulations are issued, the Inspector General must approve any related client survey, as well as the use of any survey information. OIG must also include this approval in each semiannual report. SBA did not submit any surveys for OIG review during this reporting period.

Organizational Overview

U.S. Small Business Administration

The mission of the SBA under the Small Business Act, as amended, is to maintain and strengthen the nation's economy by enabling the establishment and vitality of small businesses and assisting in the economic recovery of communities after disasters. The agency's strategic plan for FYs 2018–22 has four key goals:

1. Support small business revenue and job growth.
2. Build healthy entrepreneurial ecosystems and create business friendly environments.
3. Restore small businesses and communities after disasters.
4. Strengthen SBA's ability to serve small businesses.

SBA is organized around the areas of financial, contracting, entrepreneurial development, and disaster assistance. The agency also represents small businesses through an independent advocate and an ombudsman.

SBA's headquarters is in Washington, DC. The agency has staff in 10 regional offices, 68 district offices and corresponding branch offices, and 4 disaster field offices. SBA also has 6 government contracting area offices and maintains a network of resource partners in all 50 states, the District of Columbia, Puerto Rico, American Samoa, the U.S. Virgin Islands, and Guam.



Support small business revenue and job growth

Build healthy entrepreneurial ecosystems and create business friendly environments

Restore small businesses and communities after disasters

Strengthen SBA's ability to serve small businesses

Office of Inspector General

OIG has three divisions and several supporting program offices:

1. The **Audits Division** audits and reviews SBA programs and operations to ensure they are economical, efficient, and effective. Our key areas of emphasis are SBA's loan programs, disaster assistance, business and entrepreneurial development and government contracting programs, as well as mandatory and other statutory audit requirements involving information security and financial reporting.
2. The **Investigations Division** investigates allegations of illegal and improper activities involving SBA's programs, operations, and personnel. OIG criminal investigators carry out a full range of traditional law enforcement functions.

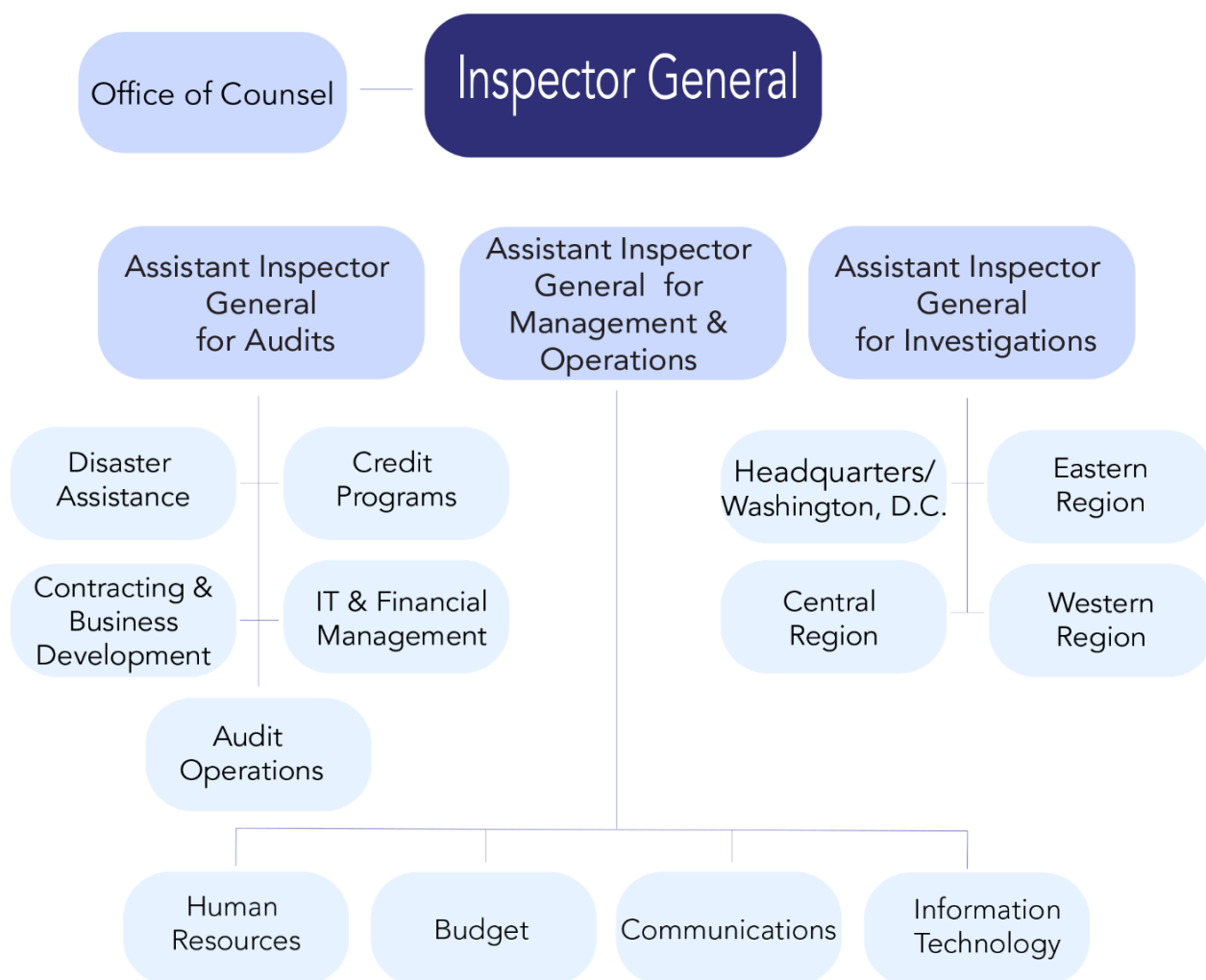
Within the division, the **OIG Hotline** receives allegations of waste, fraud, abuse, or serious mismanagement in SBA or its programs. Hotline staff members review complaints and may coordinate reviews of allegations within OIG, SBA program offices, or other government

agencies. In addition, the security operations staff conducts required OIG employee background investigations and screens OIG employees and contractors according to Homeland Security Presidential Directive-12 background investigations requirements.

3. The **Management and Operations Division** provides business support (budget and financial management, human resources, information technology, administrative, and communication) for OIG functions and activities.

In addition, the **Office of Counsel** provides legal and ethics advice to all OIG components; represents OIG in litigation arising out of or affecting OIG operations; presents training; assists with prosecuting criminal, civil, and administrative enforcement matters; processes subpoenas; responds to Freedom of Information and Privacy Act requests; and reviews and comments on proposed policies, regulations, legislation, and procedures.

OIG’s headquarters is in Washington, D.C. Our field staff, primarily investigative agents, are located in 12 offices in the four regions across the country.



Appendixes

Appendix A. Reporting Period Statistical Highlights

Summary of OIG Dollar Accomplishments (dollars)

| | |
|--|------------------------|
| Dollar Accomplishments as a Result of Investigations and Related Activities | |
| Potential Investigative Recoveries and Fines | 53,831,647.27 |
| Asset Forfeitures Attributed to OIG Investigations | 11,102,843.00 |
| Loans/Contracts Not Approved or Canceled as a Result of Investigations | 20,503,709.10 |
| Investigations Subtotal | 85,438,199.37 |
| Dollar Accomplishments as a Result of Audit Activities | |
| Disallowed Costs Agreed to by Management | 0 |
| Recommendations that Funds Be Put to Better Use Agreed to by Management | 0 |
| Audit Subtotal | 0 |
| Total OIG Dollar Accomplishments | \$85,438,199.37 |

Efficiency and Effectiveness Activities Related to Audit, Other Reports, and Follow-up Activities

| | |
|---|--------------|
| Reports Issued | 12 |
| Recommendations Issued | 81 |
| Dollar Value of Costs Questioned | \$21,716,963 |
| Dollar Value of Recommendations that Funds Be Put to Better Use | 0 |
| Recommendations with Management Decisions | 61 |
| Recommendations without a Management Decision | 24 |
| Collections as a Result of Questioned Costs | 0 |

Indictments, Convictions, and Case Actions

| | |
|----------------------------|-----|
| Indictments from OIG Cases | 119 |
| Convictions from OIG Cases | 32 |
| Cases Opened | 227 |
| Cases Closed | 139 |

SBA Personnel Actions Taken as a Result of Investigation

| | |
|------------------------------|---|
| Dismissals | 0 |
| Resignations and Retirements | 0 |
| Suspensions | 0 |
| Reprimands | 0 |

Program Actions Taken During the Reporting Period as a Result of OIG Action

| | |
|--|----|
| Present Responsibility Referrals to the Agency | 0 |
| Pending at the Agency as of March 31, 2021 | 32 |
| Suspensions Issued by the Agency | 4 |
| Proposed Debarments Issued by the Agency | 3 |
| Final Debarments Issued by the Agency | 0 |
| Proposed Debarments Declined by the Agency | 0 |
| Administrative Agreements Entered by the Agency in Lieu of Debarment | 10 |
| Present Responsibility Actions by Other Agencies | 0 |

Agency Legislative and Regulatory Proposals Reviewed

| | |
|--|----|
| Legislation, Regulations, Standard Operating Procedures, and Other Issuances Reviewed | 57 |
| Comments Provided by OIG to Improve Legislation, Regulations, Standard Operating Procedures, and Other Issuances | 3 |

Appendix B. Reports Issued

Top Management Challenges

| Title | Report Number | Issue Date | Questioned Costs (dollars) | Funds for Better Use (dollars) |
|---|---------------|------------|----------------------------|--------------------------------|
| Top Management and Performance Challenges Facing the Small Business Administration in FY 2021 | 21-01 | 10/16/20 | 0 | 0 |
| Program Subtotal | 1 | – | 0 | 0 |

Small Business Access to Capital

| Title | Report Number | Issue Date | Questioned Costs (dollars) | Funds for Better Use (dollars) |
|--|---------------|------------|----------------------------|--------------------------------|
| Evaluation of the CARES Act Debt Relief to 7(a) Borrowers | 21-03 | 12/1/2020 | 0 | 0 |
| Management Alert Paycheck Protection Program Loan Recipients on the Department of Treasury's Do Not Pay List | 21-06 | 1/11/2021 | 0 | 0 |
| Inspection of the SBA's Implementation of the Paycheck Protection Program | 21-07 | 1/14/2021 | 0 | 0 |
| Duplicate Loans Made Under the Paycheck Protection Program | 21-09 | 3/15/2021 | 0 | 0 |
| Program Subtotal | 4 | | 0 | 0 |

Disaster Assistance

| Title | Report Number | Issue Date | Questioned Costs (dollars) | Funds for Better Use (dollars) |
|--|---------------|------------|----------------------------|--------------------------------|
| Inspection of Small Business Administration's Initial Disaster Assistance Response to the Coronavirus Pandemic | 21-02 | 10/28/2020 | 0 | 0 |
| Consolidated Results of SBA's Initial Disaster Assistance Response to Hurricanes Harvey, Irma, and Maria | 21-05 | 12/23/20 | 0 | 0 |
| SBA's Use of Vendors Without a Contract | 21-08 | 2/3/2021 | 10,800,476 | 0 |
| Program Subtotal | 3 | – | \$10,800,476 | 0 |

Contracting and Counseling Programs

| Title | Report Number | Issue Date | Questioned Costs (dollars) | Funds for Better Use (dollars) |
|--|---------------|------------|----------------------------|--------------------------------|
| Evaluation of SBA's Award Procedures for the CARES Act Entrepreneurial Development Cooperative Agreements | 21-11 | 3/30/2021 | 0 | 0 |
| Evaluation of SBA's Eligibility Verification of 8(a) Firms Owned by Members of Federally or State-Recognized Indian Tribes | 21-12 | 3/31/2021 | 10,916,487 | 0 |
| Program Subtotal | 2 | – | \$10,916,487 | 0 |

Agency Management

| Title | Report Number | Issue Date | Questioned Costs (dollars) | Funds for Better Use (dollars) |
|---|---------------|------------|----------------------------|--------------------------------|
| Independent Auditors' Report on SBA's FY 2020 Financial Statements | 21-04 | 12/18/2020 | 0 | 0 |
| SBA's Controls Over Cash Contribution and Gifts, Fiscal Years 2019-20 | 21-10 | 3/25/2021 | 0 | 0 |
| Program Subtotal | 2 | | 0 | 0 |

Appendix C. Reports, Recommendations, and Management Decisions

Reports with Questioned Costs (dollars)

| IG Act Reporting Requirement | Reports | Recommendations* | Questioned Costs** (Dollars) | Unsupported Costs*** (Dollars) |
|--|---------|------------------|---------------------------------|-----------------------------------|
| No management decision made by September 30, 2020 | – | – | – | – |
| Issued during this reporting period | 2 | 2 | 21,716,963 | 21,716,963 |
| Management decisions made during this reporting period | 2 | 2 | 21,716,963 | 21,716,963 |
| (i) Disallowed costs | – | – | – | – |
| (ii) Costs not disallowed | 2 | 2 | 21,716,963 | 21,716,963 |
| No management decision made by March 31, 2021 | – | – | – | – |

*Reports may have more than one recommendation.

**Questioned costs are costs found to be improper.

***Unsupported costs may be proper but lack documentation. Unsupported costs are a subset of questioned costs.

Reports with Recommendations that Funds Be Put to Better Use

| IG Act Reporting Requirement | Reports | Recommendations | Recommended Funds for Better Use (Dollars) |
|--|---------|-----------------|--|
| No management decision made by September 30, 2020 | – | – | – |
| Issued during this reporting period | – | – | – |
| Subtotal | – | – | – |
| Management decisions made during this reporting period | – | – | – |
| (i) Recommendations agreed to by SBA management | – | – | – |
| (ii) Recommendations not agreed to by SBA management | – | – | – |
| No management decision made by March 31, 2021 | – | – | – |

Reports from Prior Periods with Overdue Management Decisions

One report from a previous semiannual period had an overdue management decision.

Reports from Prior Periods with Open Recommendations as of March 31, 2021 (dollars)

| Report Number | Title | Date Issued | Number of Open Recommendations | Aggregate Potential Cost Savings (Dollars) |
|---------------|--|-------------|--------------------------------|--|
| 15-16 | SBA Needs to Improve Its Oversight of Loan Agents | 9/25/2015 | 1 | – |
| 17-19 | Audit of SBA's Microloan Program | 9/28/2017 | 2 | 137,199,806 |
| 18-03 | Independent Auditor's Report on the SBA's FY 2017 Financial Statements | 11/14/2017 | 1 | – |
| 18-07 | Accuracy of the FY 2015 7(a) Loan Guaranty Purchase Improper Payments Rate | 12/11/2017 | 1 | 1,903,213 |
| 18-13 | Evaluation of SBA 7(a) Loans Made to Poultry Farmers | 3/6/2018 | 1 | – |
| 18-21 | OIG High Risk 7(a) Loan Review Program 2018 | 8/15/2018 | 2 | 1,351,565 |
| 18-23 | OIG High Risk 7(a) Loan Review Program | 9/13/2018 | 2 | 1,303,403 |
| 19-08 | SBA's HUBZone Certification Process | 3/28/2019 | 1 | – |
| 19-15 | OIG High Risk 7(a) Loan Review Program | 7/10/2019 | 1 | 3,000,297 |
| 19-16 | Office of Inspector General High Risk 7(a) Loan Review Program | 8/14/2019 | 2 | 2,059,132 |
| 19-17 | Evaluation of SBA's All Small Mentor-Protégé Program | 9/17/2019 | 2 | – |
| 19-18 | Audit of SBA's Suspension and Debarment Process | 9/18/2019 | 1 | – |
| 19-19 | Office of Inspector General High Risk 7(a) Loan Review Program | 9/19/2019 | 1 | 1,267,223 |
| 20-03 | Audit of SBA's Oversight of High-Risk Lenders | 11/12/2019 | 6 | 13,313,560 |
| 20-05 | KPMG Management Letter Communicating Matters Relative to SBA's FY 2019 Financial Statement Audit | 12/10/2019 | 2 | – |
| 20-08 | Audit of the SBA's Community Advantage Pilot Program | 3/18/2020 | 6 | 51,472,944 |
| 20-17 | Evaluation of Certify.SBA.Gov | 7/30/2020 | 8 | – |
| 20-18 | Office of Inspector General High Risk 7(a) Loan Review Program | 8/25/2020 | 1 | 2,094,574 |
| 20-20 | Audit of SBA's Compliance with the Debt Collection Improvement Act, as Amended | 9/30/2020 | 10 | – |
| Total | -- | – | 51 | \$214,965,717 |

Significant Recommendations from Prior Reporting Periods Without Final Action as of March 31, 2021

| Report Number | Date Issued | Recommendation | Date of Management Decision | Final Action Target Date |
|---------------|-------------|---|-----------------------------|--------------------------|
| 15-16 | 9/25/2015 | Develop benchmarks for contractor performance and require appropriate application controls and follow-up procedures with lenders to ensure the integrity of the Form 159 database. | 9/20/2018 | 7/31/2021 |
| 17-19 | 9/28/2017 | Continue efforts to improve the information system to include outcome-based performance measurements and ensure the data captured can be used to effectively monitor the Microloan Program compliance, performance, and integrity. | 1/4/2018 | 6/30/2021 |
| 17-19 | 9/28/2017 | Update the microloan reporting system manual to reflect current technology capabilities. | 1/4/2018 | 6/30/2021 |
| 18-03 | 11/14/2017 | Monitor and perform procedures over the service organization's attestation report regarding user control considerations. This assessment should be performed annually. | 1/10/2018 | 9/30/2021 |
| 18-07 | 12/11/2017 | Require Sonabank to bring the loan into compliance and, if not possible, seek recovery of \$1,903,213, plus interest on the guaranty paid by SBA. | 1/3/2018 | 4/29/2021 |
| 18-13 | 3/6/2018 | Review the arrangements between integrators and growers under the revised regulations, and establish and implement controls, such as supplemental guidance, to ensure SBA loan specialists and lenders make appropriate affiliation determinations. | 3/1/2018 | 9/30/2021 |
| 18-21 | 8/15/2018 | Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$799,159 on the guaranty paid by SBA. | 8/7/2018 | 4/29/2021 |
| 18-21 | 8/15/2018 | Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$552,406 on the guaranty paid by SBA. | 8/7/2018 | 4/29/2021 |
| 18-23 | 9/13/2018 | Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$448,287 plus interest on the guaranty paid by SBA. | 9/20/2018 | 4/29/2021 |
| 18-23 | 9/13/2018 | Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$855,116 plus interest on the guaranty paid by SBA. | 9/20/2018 | 4/29/2021 |
| 19-08 | 3/28/2019 | Implement a plan to mitigate IT issues affecting the HUBZone certification process. | 3/29/2019 | 9/15/2020 |

U.S. Small Business Administration | Office of Inspector General

| Report Number | Date Issued | Recommendation | Date of Management Decision | Final Action Target Date |
|---------------|-------------|--|-----------------------------|--------------------------|
| 19-15 | 7/10/2019 | Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$3,000,297 plus interest on the guaranty paid by SBA. | 7/11/2019 | 4/29/2021 |
| 19-16 | 8/14/2019 | Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$1,367,417 plus interest on the guaranty paid by SBA. | 8/15/2019 | 4/29/2021 |
| 19-16 | 8/14/2019 | Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$691,715 plus interest on the guaranty paid by SBA. | 8/15/2019 | 4/29/2021 |
| 19-17 | 9/17/2019 | Prioritize staff resources to ensure application reviews and annual evaluations are conducted in accordance with regulatory and program requirements. | 2/4/2020 | 3/31/2021 |
| 19-17 | 9/17/2019 | Ensure that certify.SBA.gov has the functionality needed for program officials to conduct application reviews and annual evaluations. | 9/17/2019 | 3/31/2021 |
| 19-18 | 9/18/2019 | Rescind the SBA guaranty for the \$2.9 million loan and assess the lender's eligibility for continued participation in the SBA lending program. | 11/13/2019 | 12/31/2020 |
| 19-19 | 9/19/2019 | Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$1,267,223 plus interest on the guaranty paid by SBA. | 9/16/2019 | 4/30/2021 |
| 20-03 | 11/12/2019 | Develop and implement policies and procedures to document justification for not conducting planned reviews and identifying and prioritizing additional lenders for review. | 11/15/2019 | 7/31/2021 |
| 20-03 | 11/12/2019 | Develop and implement a comprehensive database to manage oversight of high-risk lenders to ensure performance of all planned reviews, implementation of risk mitigation actions, and identification of noncompliant lender and systemic material loan deficiencies. | 11/15/2019 | 9/30/2021 |
| 20-03 | 11/12/2019 | Develop and implement policies and procedures to provide clear and specific guidance to analysts regarding the appropriate corrective and enforcement actions for identified lenders and loan deficiencies to ensure analysts recommend appropriate and consistent corrective and enforcement actions. | 11/15/2019 | 9/30/2021 |

| Report Number | Date Issued | Recommendation | Date of Management Decision | Final Action Target Date |
|---------------|-------------|--|-----------------------------|--------------------------|
| 20-03 | 11/12/2019 | Conduct periodic overall assessments of the high-risk lender review results and recommended risk mitigation actions to ensure analysts recommend appropriate and consistent corrective and enforcement actions. | 11/15/2019 | 7/30/2021 |
| 20-03 | 11/12/2019 | Develop and implement policies and procedures to communicate systemic lender issues and material loan deficiencies to the appropriate SBA loan approval and purchase centers to facilitate proactive portfolio management and to mitigate the risk of improper guaranty purchases in the event of default. | 11/15/2019 | 7/31/2021 |
| 20-03 | 11/12/2019 | Determine whether the lenders corrected the deficiencies on the 21 loans purchased for a total of \$13.3 million. If not, require the lenders to bring the loans into compliance or, if not possible, seek recovery of the guaranty paid by SBA from lenders. | 11/15/2019 | 7/30/2021 |
| 20-05 | 12/10/2019 | Update appropriate center desk manuals to specify relevant staff involved in the charge-off and referral processes to ensure the "Next Due Date" field in the loan repository system is updated promptly when a loan's liable parties change. Any change to policy should be communicated to relevant staff. | 1/9/2020 | 6/30/2021 |
| 20-05 | 12/10/2019 | Perform a regular review of liable parties with outstanding receivable balances to ensure they are referred timely. | 1/9/2020 | 6/30/2021 |
| 20-08 | 3/18/2020 | Evaluate options that facilitate the Community Advantage pilot program's ability to effectively expand access to capital in underserved markets. | 6/30/2020 | 9/20/2021 |
| 20-08 | 3/18/2020 | Evaluate whether it is feasible to align the maximum interest rates charged under the Community Advantage pilot program with comparable 7(a) program rates, excluding SBA Express. | 6/30/2020 | 6/30/2021 |
| 20-08 | 3/18/2020 | Provide criteria to lenders to assist them with assessing the borrowers' management and technical assistance needs. | 8/5/2020 | 3/31/2021 |
| 20-08 | 3/18/2020 | Establish methods to assess whether lenders have the expertise needed to provide management and technical assistance to underserved borrowers and to address any lender deficiencies. | 6/30/2020 | 6/30/2021 |

U.S. Small Business Administration | Office of Inspector General

| Report Number | Date Issued | Recommendation | Date of Management Decision | Final Action Target Date |
|---------------|-------------|--|-----------------------------|--------------------------|
| 20-08 | 3/18/2020 | Require lenders to complete the data fields related to the management and technical assistance provided and enhance the annual Community Advantage performance analysis by including the evaluation of the performance associated with the various types of management and technical assistance. | 6/30/2020 | 6/30/2021 |
| 20-08 | 3/18/2020 | Establish a process to periodically assess the performance of Community Advantage loans approved with Small Business Scoring Service scores under 140 to determine whether the recently implemented SBA approval requirement is adequately mitigating the risk of loss. | 6/30/2020 | 3/31/2021 |
| 20-17 | 7/30/2020 | Include the Certify investment on the agency's enterprise risk list as a high-risk endeavor and require continuous risk monitoring, as specified in the SBA Enterprise Risk Management Framework Guide. | 9/21/2020 | 6/30/2021 |
| 20-17 | 7/30/2020 | Establish traceable functional requirements for the Certify investment in accordance with the Capital Programming Guide, supplement to OMB Circular A-11 in terms of the Office of Government Contracting and Business Development's mission, purpose, capability, schedule and cost objectives. | 9/21/2020 | 6/30/2021 |
| 20-17 | 7/30/2020 | Develop a documented requirements traceability matrix and ensure that the Office of Government Contracting and Business Development has adequate resources to trace requirements throughout all stages of design, development, and user acceptance. | 9/21/2020 | 9/30/2021 |
| 20-17 | 7/30/2020 | Develop and maintain a performance-measurement baseline with budgets and schedules assigned to product-oriented work breakdown structure elements and established cost and schedule variance thresholds in accordance with the Capital Programming Guide, supplement to Office of Management and Budget (OMB) Circular A-11. | 9/21/2020 | 9/30/2021 |

| Report Number | Date Issued | Recommendation | Date of Management Decision | Final Action Target Date |
|---------------|-------------|---|-----------------------------|--------------------------|
| 20-17 | 7/30/2020 | Evaluate work breakdown structure elements for cost, schedule, and technical risk. Use the results of such risk analysis to maintain a risk-adjusted budget and schedule in accordance with the Capital Programming Guide, supplement to OMB Circular A-11. | 9/21/2020 | 5/17/2021 |
| 20-17 | 7/30/2020 | Incorporate earned value management and integrated baseline reviews into the Certify investment as required by Federal Acquisition Regulation (FAR) 34.2 and conduct documented integrated baseline reviews in accordance with the 32 criteria identified in National Defense Industrial Association's Earned Value Management Systems EIA-748 Intent Guide, as required by Standard Operating Procedure (SOP) 90 52. | 9/21/2020 | 9/30/2021 |
| 20-17 | 7/30/2020 | Ensure that all Certify investment cost, schedule, and performance baseline data submitted for Business Technology Investment Council review clearly show the amount of work accomplished and actual costs against the original investment baseline to provide critical management visibility on the achievement of, or deviation from, goals. | 9/21/2020 | 5/17/2021 |
| 20-17 | 7/30/2020 | Update system development methodology to link agile summary components with establishing traceable requirements, monitoring progress through a requirements traceability matrix and reporting progress using a performance management system, including an earned value management system for the development of major information technology investments. | 9/21/2020 | 6/8/2021 |
| 20-18 | 8/25/2020 | Require the lender to bring the loan into compliance or, if not possible, seek recovery of \$2,094,574 on the guaranty paid by SBA. | 8/25/2020 | 7/9/2021 |
| 20-20 | 9/30/2020 | Review all loans assigned to the resolution center that are 180 days or more delinquent and classified with code 66 (Lien or Mortgage/Refer to Treasury Offset Program Only) and 00 (Clear Existing Status Code) and transfer the loans to Treasury Cross-Servicing, unless verified as exempt when the temporary suspension of debt collection activities because of the pandemic is lifted. | 9/16/2020 | 6/30/2021 |

U.S. Small Business Administration | Office of Inspector General

| Report Number | Date Issued | Recommendation | Date of Management Decision | Final Action Target Date |
|---------------|-------------|---|-----------------------------|--------------------------|
| 20-20 | 9/30/2020 | Perform a cost benefit analysis to determine if SBA should begin assessing fees to offset the cost of processing and handling delinquent disaster loans. | 9/16/2020 | 5/15/2021 |
| 20-20 | 9/30/2020 | Revise SOP 50 52 to clearly communicate that all loans with collateral must be evaluated for foreclosure and placed in foreclosure status before they are 180 days delinquent. | 9/16/2020 | 6/4/2021 |
| 20-20 | 9/30/2020 | Revise SOP 50 52 2 to clearly communicate that all debts 180 days delinquent must be transferred to Treasury Cross-Servicing unless the debt meets a valid transfer exemption. | 9/16/2020 | 6/4/2021 |
| 20-20 | 9/30/2020 | Establish requirements to provide annual training on Debt Collection Improvement Act requirements to all staff of the resolution center. | 9/16/2020 | 5/15/2021 |
| 20-20 | 9/30/2020 | Ensure that information used to monitor compliance with the Debt Collection Improvement Act includes all loans assigned to the resolution center as identified in the Capital Access Financial System. | 9/16/2020 | 5/15//2021 |
| 20-20 | 9/30/2020 | Review all loans currently assigned to the Center and designated exempt from Treasury Offset Program and verify that each of the obligors is exempt from referral to Treasury Offset Program, and if not, refer the obligors to Treasury Offset Program as required. | 9/16/2020 | 6/30/2021 |
| 20-20 | 9/30/2020 | Review all loans currently assigned to the Center and designated as exempt from Treasury Cross-Servicing that are 180 days or more delinquent and verify that each of the obligors is exempt from transfer to Treasury Cross-Servicing, and if not, transfer the debt to Treasury Cross-Servicing, as required when the temporary suspension of debt collection activities due to COVID-19 is lifted. | 9/16/2020 | 6/30/2021 |
| 20-20 | 9/30/2020 | Establish policies and procedures to require routine follow-up on delinquent loans to ensure full compliance with the Debt Collection Improvement Act. | 9/16/2020 | 6/4/2021 |
| 20-20 | 9/30/2020 | Reiterate the requirements for workout agreements to responsible personnel to ensure compliance with the Debt Collection Improvement Act. | 9/16/2020 | 6/4/2021 |

Significant Recommendations from this Reporting Period

| Report Number | Title | Date Issued | Recommendation |
|---------------|--|-------------|--|
| 21-02 | Inspection of SBA's Initial Disaster Assistance Response to the Coronavirus Pandemic | 10/28/2020 | Review all loans that had a bank account number changed from what was shown on the original application to determine if the changes were legitimate or fraudulent. If not legitimate, work to recover the funds, deobligate any undisbursed funds, and refer to OIG. |
| 21-02 | Inspection of SBA's Initial Disaster Assistance Response to the Coronavirus Pandemic | 10/28/2020 | Establish or strengthen controls to ensure loan deposits are made to legitimate bank accounts for eligible borrowers only. |
| 21-02 | Inspection of SBA's Initial Disaster Assistance Response to the Coronavirus Pandemic | 10/28/2020 | Review duplicate loans to internet provider addresses, email addresses, business addresses, and bank accounts to determine if there are undisbursed funds that should be suspended until the duplicate loans are assessed for eligibility. |
| 21-02 | Inspection of SBA's Initial Disaster Assistance Response to the Coronavirus Pandemic | 10/28/2020 | Cancel all ineligible loans that are not disbursed, recover funds from all loans disbursed to ineligible applicants, and flag those loans for the improper payments estimation process. |
| 21-02 | Inspection of SBA's Initial Disaster Assistance Response to the Coronavirus Pandemic | 10/28/2020 | Strengthen or establish controls to ensure multiple loans are provided only to eligible applicants and prevent the erroneous duplication of loans. |
| 21-02 | Inspection of SBA's Initial Disaster Assistance Response to the Coronavirus Pandemic | 10/28/2020 | Strengthen data integrity to make it possible to determine if the inaccurate information allowed loans to be made to ineligible entities and to strengthen SBA's ability to service loans appropriately. |
| 21-02 | Inspection of SBA's Initial Disaster Assistance Response to the Coronavirus Pandemic | 10/28/2020 | Review the applicants with approved loans to determine if there are undisbursed funds remaining that should be suspended until the business start date is verified and the applicant is deemed eligible based on the CARES Act eligibility requirements. If the applicant is deemed ineligible, recover any disbursed funds, deobligate any undisbursed funds, and flag the application as ineligible. |

| Report Number | Title | Date Issued | Recommendation |
|---------------|--|-------------|---|
| 21-02 | Inspection of SBA's Initial Disaster Assistance Response to the Coronavirus Pandemic | 10/28/2020 | Review the advance grants to determine if the application was legitimate and the business met CARES Act eligibility requirements. If not, recover the funds and flag the application as ineligible. |
| 21-02 | Inspection of SBA's Initial Disaster Assistance Response to the Coronavirus Pandemic | 10/28/2020 | Revise the FY 2021 Improper Payments Act Checklist to include checking EIN dates for COVID-19 EIDLs and advance grants or program the system to flag erroneously approved loans and advance grants as improper payments; the information should be used during the FY 2021 improper payments estimation process. |
| 21-02 | Inspection of SBA's Initial Disaster Assistance Response to the Coronavirus Pandemic | 10/28/2020 | Strengthen controls for verifying an entity's start date to ensure applicants meet eligibility requirements. |
| 21-03 | Evaluation of CARES Act Debt Relief to 7(a) Borrowers | 12/1/2020 | Incorporate procedures to verify the accuracy and reasonableness of the loan status, principal, interest, and any fees of loans before approving subsidy payments. |
| 21-03 | Evaluation of CARES Act Debt Relief to 7(a) Borrowers | 12/1/2020 | Establish post-payment audit procedures, using a risk-based approach, to verify the accuracy and completeness of all subsidy payments to lenders and include reviews of payments made to loans that changed from liquidation status to regular servicing status, and remedy improper payments in accordance with the Payment Integrity Act of 2019. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Finalize the review plan and execute the loan review process for all loans in the PPP portfolio to determine whether loans were or not in conformance with the CARES Act and related legislation. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Determine the impact on the outstanding guarantee and eligibility for forgiveness of loans determined to be not in conformance with the CARES Act and related legislation. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Implement adequate controls to prevent loans from being approved that are potentially not in conformance with the legislation and program terms. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Develop and enforce a policy that requires the adequate training and monitoring of PPP lenders to execute their responsibilities in the loan origination process. |

| Report Number | Title | Date Issued | Recommendation |
|---------------|--|-------------|---|
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Assess the accounting considerations, including the impact on the consolidated financial statements, from the results of the loan review process for PPP loans and record any necessary adjustments for loans determined to not be in conformance with the CARES Act and related legislation. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Identify and review PPP loans with incomplete or inaccurate 1502 reports. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Determine and update the loan repository system with correct PPP loan related balances. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Develop and enforce a policy that requires the adequate training and monitoring of lenders to execute their responsibilities in the PPP loan servicing process. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Develop and enforce a policy to monitor incomplete or inaccurate PPP 1502 reports on an ongoing basis. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Document the development of significant assumptions used in the PPP reestimate, including the consideration of the most recent, best available data to address the potential existence of disconfirming evidence. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Accumulate relevant, complete, and accurate data to develop and support the PPP reestimate. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Design and implement review and approval controls of the PPP reestimate by appropriate levels of management, including review of sources of relevant data inputs, development of assumptions, and reasonableness of assumptions and resulting estimates. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Perform a thorough review of the COVID-19 EIDLs and grants portfolio and determine which transactions were made to ineligible recipients and not in conformance with the CARES Act and related legislation. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Implement controls that prevent or detect loans from being approved that are not in conformance with the related legislation and program's eligibility terms. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Update the Reference Guide to require a more thorough review to clear certain alerts and enforce the actions recommended by the Reference Guide to adequately address and mitigate the alerts prior to loan approval. |

| Report Number | Title | Date Issued | Recommendation |
|---------------|--|-------------|--|
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Provide training of loan officers and supervisory loan officers to execute their responsibilities in accordance with established guidance and standard operating procedures. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Develop and implement a policy requiring new service organizations to provide a report over the control environment that is relevant and significant to the processing and recording of SBA's transactions. If a service organizational control 1 report cannot be obtained, identify and evaluate relevant controls at the service organizations that have an impact on SBA's internal controls over financial reporting. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Assess the risk posed by the service organization's control environment and obtain sufficient assurance over the operating effectiveness of relevant and significant controls to determine the integrity of transactions processed on behalf of and recorded by SBA. If a service organizational control 1 report is obtained for the relevant control environment at the service organization, determine and document the requirements. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Consideration of all exceptions noted in the service organizational control 1 reports and determination of the applicability to SBA's internal controls over financial reporting. Management should determine the potential impact on internal controls over financial reporting and if mitigating controls exist. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Evaluation of each complementary user entity control identified within the service organizational control 1 reports. Management should determine that complementary user entity controls have been appropriately designed and implemented and are operating effectively. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Evaluation of the service organizational control 1 reports for all relevant subservice organizations to include an understanding of its role, their controls, and its effect on SBA's processes. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Assessment of service organizational control 1 reports to determine whether coverage was provided for the entire fiscal year. Management should determine the period covered by the report, assess the significance of the gap, and obtain bridge letters for reports that do not extend through September 30 to provide sufficient coverage to assess impacts on SBA's internal controls over financial reporting. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Assign and hold accountable individuals responsible for overseeing management's design, implementation, and operation of SBA's internal control system. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Perform and document a thorough risk assessment at the financial statement assertion level to identify process level risks and assess the effectiveness of key process level controls to respond to the risks. |

| Report Number | Title | Date Issued | Recommendation |
|---------------|--|-------------|---|
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Develop and implement monitoring controls to ensure implementation of an effective internal control environment. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Update and enforce the existing Procedural Notice 5000-20049 to require the adequate review and approval of Section 1112 payments made to lenders and to determine that the necessary documentation is maintained to substantiate the payment amount. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Review the automated portion of their account management process to determine what caused the process to create multiple accounts for individual users. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Update and test the account management process to ensure that multiple accounts will not be created when changes are applied to the production environment. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Validate that new users identified in the notification of findings and recommendations are assigned appropriate access to SBA's information system and the supporting environment. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Periodically train personnel who are responsible for the approval and provisioning of accounts to emphasize the importance of documenting and approving user access requests prior to and provisioning access to SBA's information systems and their supporting environments. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Analyze and validate the users identified in the notification of findings and recommendations were granted appropriate access. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Periodically train personnel who are responsible for the approval and provisioning of accounts to emphasize the importance of documenting and approving user access requests prior to and provisioning access to SBA's information systems and their supporting environments. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Validate the accounts that are to be reviewed and recertified are performed by the appropriate or designated personnel before performing the existing recertification process. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Validate that the patches applied to the database and operating system are appropriately implemented and do not negatively affect the performance of the application. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Periodically train personnel involved with the implementation of database and operating system patches to follow the requirements of the patch management process in accordance with existing policies. |

| Report Number | Title | Date Issued | Recommendation |
|---------------|---|-------------|--|
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Design and implement a quality check process to ensure that approvals for application changes are timely and accurate prior to migrating changes into the production environment. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Periodically train personnel involved with the review and approval of application changes to follow the requirements of the application change management process in accordance with existing policy. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Update the enterprise risk management approach over the evaluation of internal controls to ensure it includes all significant programs, key processes, and other material line items on the consolidated financial statements. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Perform and document the internal control evaluation performed over all programs. This should include entity level controls, manual controls, general information technology controls, and system application controls covering key financial statement line items and risks. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Work with service providers to assess service organization risks and controls and monitor the service providers to determine that they properly design, implement and effectively operate controls impacting SBA's control environment. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Address the control deficiencies over transactions arising from the implementation of the CARES Act and related legislation by working with the Office of Capital Access and the Office of Disaster Assistance to implement the recommendations in Attachment I - Material Weaknesses. |
| 21-04 | Independent Auditors' Report on SBA's FY 2020 Financial Statements | 12/18/2020 | Address the deficiencies in general information technology controls for SBA systems critical to financial reporting by working with the relevant system owners to implement the recommendations in Attachment II - Significant Deficiencies. |
| 21-06 | Paycheck Protection Program Loan Recipients on the Department of Treasury's Do Not Pay List | 1/11/2021 | Promptly identify PPP loans that have not been fully disbursed and follow-up with the lenders to stop \$280 million in potential improper loan disbursements. |
| 21-06 | Paycheck Protection Program Loan Recipients on the Department of Treasury's Do Not Pay List | 1/11/2021 | Strengthen SBA controls to ensure that loans to ineligible recipients are not forgiven. |
| 21-06 | Paycheck Protection Program Loan Recipients on the Department of Treasury's Do Not Pay List | 1/11/2021 | Review prepayment and pre-award procedures and work with Treasury to formulate a technical approach to use Treasury's Do Not Pay portal to determine loan applicant eligibility and prevent improper payments before the release of any federal funds. |

| Report Number | Title | Date Issued | Recommendation |
|---------------|---|-------------|--|
| 21-07 | Inspection of SBA's Implementation of the Paycheck Protection Program | 1/14/2021 | Review the loans identified as potentially ineligible to determine if the businesses met eligibility requirements. If not, take appropriate action related to loan guaranty and forgiveness. |
| 21-07 | Inspection of SBA's Implementation of the Paycheck Protection Program | 1/14/2021 | For future rounds of PPP lending, assess vulnerabilities in internal controls and strengthen or implement necessary internal controls to address ineligible loans and potential fraud. |
| 21-07 | Inspection of SBA's Implementation of the Paycheck Protection Program | 1/14/2021 | For future rounds of PPP lending, revise the borrower application to include the critical "jobs retained" field to ensure SBA reports accurate and complete job numbers. |
| 21-07 | Inspection of SBA's Implementation of the Paycheck Protection Program | 1/14/2021 | For future rounds of PPP lending, revise the application to include the demographic information of borrowers. |
| 21-07 | Inspection of SBA's Implementation of the Paycheck Protection Program | 1/14/2021 | For future rounds of PPP lending, update the PPP borrower application to include a field for the North American Industry Classification System code of the business and the business description to enable SBA to prevent potentially ineligible loan approvals. |
| 21-07 | Inspection of SBA's Implementation of the Paycheck Protection Program | 1/14/2021 | Update the PPP forgiveness application to include North American Industry Classification System code to ensure that previously recorded information is accurate. |
| 21-08 | SBA's Use of Vendors Without a Contract | 2/3/2021 | Require responsible personnel to execute a contract for foreclosure and real estate services to ensure the procurement of services are obtained and authorized in accordance with the Federal Acquisition Regulation requirements. |
| 21-08 | SBA's Use of Vendors Without a Contract | 2/3/2021 | Ensure that vendors used to provide foreclosure and real estate services are registered in the federal System for Award Management, as required. |
| 21-08 | SBA's Use of Vendors Without a Contract | 2/3/2021 | Ratify the over \$10.8 million in payments in accordance with the Federal Acquisition Regulation and 48C.F.R. § 1.602-3. |
| 21-09 | Duplicate Loans Made Under the Paycheck Protection Program | 3/15/2021 | Review the OIG identified potential duplicate disbursements for eligibility and take action to recover any improper payments as applicable. |
| 21-09 | Duplicate Loans Made Under the Paycheck Protection Program | 3/15/2021 | Review SBA controls related to all PPP loan reviews to ensure that duplicate loans are not forgiven and not subject to an SBA guaranty, as appropriate. |

| Report Number | Title | Date Issued | Recommendation |
|---------------|--|-------------|--|
| 21-09 | Duplicate Loans Made Under the Paycheck Protection Program | 3/15/2021 | Strengthen E-Tran controls for future PPP type programs, which includes keeping E-Tran controls that align with program requirements. |
| 21-09 | Duplicate Loans Made Under the Paycheck Protection Program | 3/15/2021 | Review the issues that SBA identified involving the actions of lenders, such as providing incorrectly formatted data and submitting the same application through multiple platforms and determine how to strengthen controls and guidance as appropriate to ensure lenders meet program requirements for future PPP type programs. |
| 21-11 | Evaluation of SBA's Award Procedures for the Coronavirus Aid, Relief, and Economic Security Act Entrepreneurial Development Cooperative Agreements | 3/30/2021 | Enforce standard operating procedures requiring clearly defined performance goals and include performance targets in all future SBDC and WBC cooperative agreements and grants to objectively measure performance results. |
| 21-11 | Evaluation of SBA's Award Procedures for the Coronavirus Aid, Relief, and Economic Security Act Entrepreneurial Development Cooperative Agreements | 3/30/2021 | Collect and analyze the CARES Act entrepreneurial development cooperative agreement recipient's performance results and establish a framework for setting goals for technical assistance programs in response to future disasters. Retain the analysis in program files for future guidance. |

Significant Management Decisions with which OIG Disagrees

There were no significant management decisions OIG disagrees with during this reporting period.

Significant Revised Management Decisions

There were no significant revised management decisions during this reporting period.

Federal Financial Management Improvement Act

The OIG's Independent Public Accountant, KPMG, found in the FY 2020 financial statement audit the following instances in which SBA's financial management systems did not substantially comply with the Federal Financial Management Improvement Act of 1996.

Control deficiencies over transactions arising from the implementation of the CARES Act and related legislation do not enable reliable and accurate financial reporting and do not ensure budgetary resources are safeguarded against waste, loss, and misuse. In addition, the deficiencies may not support compliance objectives related to ensuring financial transactions are in conformance with the CARES Act and related legislation are achieved

Management did not implement sufficient general information technology controls for SBA systems critical to financial reporting. Sufficient and effective general information technology controls were not implemented to protect the financial accounting and reporting data.

SBA's financial management systems were substantially noncompliant with federal accounting standards

Instances of Interference

There were no attempts by SBA officials to interfere with OIG independence during the reporting period.

Appendix D. Investigations Reporting Statistics

Investigative Reports Issued

| Report Type | Number of Reports |
|---|-------------------|
| Report of Investigation | 42 |
| Preliminary Case Closing Reports of Investigation | 6 |
| Total | 48 |

Persons Referred for Prosecution

| Referred to | Number of Persons |
|-----------------------|-------------------|
| Department of Justice | 109 |
| State Attorney | 0 |
| Local Attorney | 0 |
| Total | 109 |

*Number includes persons and entities referred for prosecution.

Whistleblower Retaliation Cases

There were no OIG investigations involving Whistleblower retaliation during the reporting period.

Investigations Involving a Senior Government Employee Where Misconduct Was Substantiated

There were no OIG investigations involving a senior government employee where misconduct was substantiated during the reporting period.

Nonpublic, Closed Investigations Involving a Senior Government Employee

There were no nonpublic, closed investigations of senior government employees during this semiannual period.

Appendix E. Legal Actions Summary

Legal Actions, October 1, 2020–March 31, 2021

| State | Program | Joint With | Alleged Violation | Legal Action |
|-------|---------|-------------------------|--|--|
| FL | BL | FBI, IRS-CID | Individuals conspired to perpetuate a scheme to defraud the SBA when they created a shell business and received SBA loans and grants and other public monies in the excess of \$3,250,000, to which they were not authorized. | Individual was sentenced to 33 months of incarceration and 5 years supervised release. Individual was sentenced to 18 months of incarceration and three years' supervised release. More than \$1,600,000 was forfeited by the subjects. |
| VA | DL | FBI, IRS-CID, PIS | An ineligible felon accepted nearly \$200,000 in PPP and EIDL loans for which he was not entitled. The individual used the funds for personal reasons. | Individual was sentenced to 51 months of incarceration and 3 years of supervised release. Individual ordered to pay \$57,303 in restitution. |
| MO | BL | FBI, FDIC-OIG, IRS-CID | Individual committed wire fraud, money laundering and making a false statement on a loan application leading to a total of \$25,400,000 in fraudulent government and civil loans. | Individual was sentenced to 96 months of incarceration, 5 years of supervised release and was ordered to pay \$14,847,451 in restitution. |
| MD | BL | FBI, FHFA-OIG, FDIC-OIG | Individuals conspired to commit bank fraud while obtaining \$11,560 in taxpayer backed loans. Individual used their position as a bank officer to assist others commit a myriad of additional fraudulent activities. | Individual was sentenced to 24 months incarceration, 5 years supervised release and restitution of \$145,000. Individual was sentenced to time served, 2 years supervised release and \$72,000 in restitution. Individuals forfeited ownership of a real property. |
| OK | DL | FDIC-OIG, FHFA-OIG | Individual committed bank fraud and made false statements to a financial institution, when they fraudulently obtained a EIDL loan and attempted to obtain a PPP loan. | Individual was sentenced to 24 months of incarceration, 5 years supervised release and \$106,475 was seized from their accounts. |
| VA | DL | FBI | Married couple committed conspiracy to commit wire fraud when they attempted to obtain \$6,600,000 in PPP loans. The couple and their companies eventually received over \$1,400,000 in fraudulent loans and a fraudulent \$10,000 EIDL grant. | An individual was sentenced to 12 months of incarceration and 24 months supervised release. An individual was sentenced to time served and 24 months supervised release. |
| OH | DL | IRS | Individual committed wire fraud and false statements when they produced false documents to obtain PPP and EIDL funds. | Individual was sentenced to 24 months of incarceration, 3 months supervised release, was ordered to pay \$6,020 in criminal restitution and forfeited \$1,290,817. |
| LA | DL | | Married couple conspired to commit fraud and wire fraud in obtaining a \$50,000 disaster assistance loan. | Individual was sentenced to 15 months of incarceration, 3 years of supervised release and \$50,000 in restitution. Individual sentenced to 3 years' probation, \$50,000 in restitution and a \$4,000 fine. |
| AL | CC | FBI | Individuals conspired to commit fraud, | Individual sentenced to 84 Months |

| | | | | |
|----|----|--|---|--|
| | | | money laundering and bribery against several government agencies. | incarceration, 3 years of supervised release, ordered to pay the IRS \$105,068 in back taxes and \$1,390,284 in restitution. Individual sentenced to 12 months of incarceration, 2 years' probation, and a \$10,000 fine. Individual sentenced to 3 months incarceration, 1-year supervised release and \$40,860 in restitution. |
| CA | DL | FBI | Individual obtained \$1,302,550 of Cares Act funding utilizing falsified documents. Further, the individual transferred funds to a forging bank that had no connection to the entities for which he obtained the loans. | Individual pled guilty, agreed to return the \$1,302,550 to the government and is awaiting sentencing. |
| WI | CC | FBI, DCIS, Army CID, GSA-OIG, DCAA, VA-OIG | Individuals defrauded the government by receiving preferential assignment of contracts for their business which was falsely listed as 8(a). | Individual was sentenced to 24 months' probation. Several businesses and individuals were debarred. |
| ID | BL | FDIC | Individuals and businesses made false statements leading to the fraudulent issuance of an SBA backed loan for \$3,020,000. | Individual representing a business agreed to pay \$2,500,000 in restitution. |
| CO | BL | FBI | In violation of federal law, an individual attempted to use his connections as a former SBA employee to expedite the loan approval for a project he previously worked with as a government employee. | Individual agreed to pay \$15,000 in a civil settlement. |
| CA | BL | | A business which had filed for bankruptcy, knowingly falsified documents to obtain PPP loans. | Individual agreed to pay \$100,000 in civil penalties. |
| WA | CC | DCIS, Army-CID, GSA-OIG, HHS-OIG, DOJ-OIG, IRS-CID, HHS-OIG, DOC-OIG | Individuals created fraudulent documents, businesses, and false identities with the intent to defraud the government and others through U.S. Small Business set-aside contracting programs. | Business was debarred indefinitely. Multiple entities were debarred for 5 years. |
| GA | DL | FBI | Several individuals conspired to defraud the government by each obtaining a \$300,000 PPP loan for with they were not intitled. | Individual was sentenced to 12 months of incarceration, 3 years of supervised release and \$242,177 in restitution. 6 Individual were indited. One individual was arrested. \$300,000 was seized from a business. |

Note: The following lists define the program codes for legal actions and the abbreviations in the table.

Program Codes:

BL–Business Loans

DL–Disaster Loans

GC–Government Contracting and Section 8(a) Business Development

IA–Internal Affairs

Joint Investigation Agency Acronyms

Defense Contract Audit Agency (DCAA)
Defense Criminal Investigative Service (DCIS)
Department of Energy Office of Inspector General (Energy/OIG)
Department of Health and Human Services Office of Inspector General (HHS/OIG)
Department of Homeland Security Office of Inspector General (DHS/OIG)
Department of Housing and Urban Development Office of Inspector General (HUD/OIG)
Department of Interior Office of Inspector General
Department of Justice Office of Inspector General (DOJ/OIG)
Department of Transportation Office of Inspector General (DOT/OIG)
Department of Veterans Affairs Office of Inspector General (VA/OIG)
Federal Bureau of Investigation (FBI)
Federal Deposit Insurance Corporation Office of Inspector General (FDIC/OIG)
Federal Housing and Finance Agency Office of Inspector General (FHFA/OIG)
Federal Emergency Management Agency Office of Inspector General (FEMA/OIG)
General Services Administration Office of Inspector General (GSA/OIG)
Immigration and Customs Enforcement (ICE)
Internal Revenue Service - Criminal Investigation Division (IRS/CID)
National Aeronautics and Space Administration Office of Inspector General (NASA/OIG)
New Jersey Department of Community Affairs (NJ DCA)
Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP/OIG)
United States Air Force Office of Special Investigations (Air Force/OSI)
United States Army/Criminal Investigation Division (Army/CID)
United States Department of Agriculture Office of Inspector General (USDA/OIG)

Appendix F. Cosponsored and Other Activities

SBA’s authorization to cosponsor events requires OIG to report to Congress on the Administrator’s use of that authority semiannually.

| Name/Subject of Event | Name of Cosponsor(s) | Event Location | Date Fully Executed |
|--|--|---------------------------|---------------------|
| Resource Partner Meetings | San Francisco DO - California Association for Microenterprise Opportunity | Virtual | March 11, 2021 |
| ChallengeHER Campaign | HQ/Government Contracting & Business Development - Women Impacting Public Policy, American Express Travel Related Services Company, Inc. | Virtual | March 8, 2021 |
| PPP Changes Webinar Series | HQ Office of Communications and Public Liaison-Public Private Strategies, Institute | Virtual | February 26, 2021 |
| Creating the Vision: Embracing Change Workshop | South Florida DO-Broward County Office of Economic Small Business Development | Online | February 20, 2021 |
| Webinar topics: Web Congress; National Small Business Week; Hispanic Heritage & Disaster Programming | South Florida DO-Hialeah Chamber of Commerce and Industries | Online | February 17, 2021 |
| Business Building Book | South Florida DO-Women’s Business Enterprise Council of Florida | Online | February 3, 2021 |
| Webinar topics: Government contracting, Exporting, Education, Finance | South Florida DO-Latin American Chamber of Commerce CAMACOL | Online | February 1, 2021 |
| SBA Minnesota Lenders Conference | Minnesota DO - In dependent Community Bankers of Minnesota; Minnesota Bankers Association | Virtual | January 28, 2021 |
| Business Education and Resiliency Boot Camp | Washington DO - Greater Washington Hispanic Chamber of Commerce | Virtual | January 25, 2021 |
| Back2Basics - Financing Fundamentals Workshop Series | Washington DO - Fairfax County Economic Development Authority (FCEDA); Cordia Partners | Virtual | January 8, 2021 |
| Small Business COVID-19 Recovery Webinars/Workshops | Hawaii DO - Better Business Bureau Northwest-Pacific | Virtual, Hawaii Statewide | January 6, 2021 |
| Government Procurement Training Series FY 2021 | North Dakota DO-North Dakota Small Business Development Center, University of North Dakota | Online | November 17, 2020 |
| Small Business Saturday 2020 | HQ Office of Communications and Public Liaison - American Express, Women Impacting Public Policy, Inc. | Nationwide | November 3, 2020 |

Gifts to the Small Business Administration, October 1, 2020-March 31, 2021*

| Office/Location | Donor(s) | Gift Description (Cash or Other) | Gift Value | Date of Gift Activity | Date Fully Executed |
|-----------------|----------|----------------------------------|------------|-----------------------|---------------------|
| - | - | - | - | - | - |

*No gifts reported

Appendix G. External Peer Reviews

Section 5(a) of the IG Act requires OIGs to report peer review results in their Semiannual Reports to Congress. The following information is provided in accordance with these requirements.

Audits Division

Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office require organizations performing audits and attestation engagements under to have an external peer review performed by reviewers independent of the audit organization being reviewed at least once every three years.

SBA OIG conducted an external GAGAS peer review of the Department of Commerce OIG for the year ended September 30, 2020. In March 2021, SBA OIG issued a peer review report giving Department of Commerce OIG a pass rating.

OIG's Audits Division underwent a GAGAS review by the U.S. Department of State OIG for the year ended March 31, 2018. In September 2018, SBA OIG received a peer review pass rating.

The *Quality Standards for Inspection and Evaluation* (Blue Book), issued by the Council of the Inspectors General on Integrity and Efficiency, requires inspection and evaluation organizations to undergo external peer reviews once every three years. The external peer review assesses whether the organization's internal policies and procedures are consistent with the seven Blue Book standards and the organization's own policies and procedures.

In 2020, the Department of Justice OIG reviewed the SBA OIG Audits Division under the Blue book standards for the year ended December 31, 2019. In September 2020, Department of Justice OIG reported that SBA OIG generally met the quality standards required for inspections and evaluations, as well as SBA OIG policies and procedures.

Investigations Division

Section 6(e)(7) of the IG Act, Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority, and the CIGIE Quality Standards for Investigations require external peer reviews of OIG investigative functions be conducted every three years.

In September 2017, FDIC OIG reviewed our Investigations Division and issued a final report December 19, 2017. FDIC OIG found that the system of internal safeguards and management procedures for the investigative function of OIG complied with the quality standards established by CIGIE and the applicable Attorney General's Guidelines. No recommendations were offered.

Appendix H. Reporting Requirements in the Inspector General Act of 1978, As Amended

| Section | Reporting Requirement | Location |
|--------------|---|---|
| 4(a)(2) | Review of legislation and regulations | Other Significant OIG Activities |
| 5(a)(1) | Significant problems, abuses, and deficiencies | Throughout |
| 5(a)(2) | Recommendations with respect to significant problems, abuses, and deficiencies | Significant Recommendations from This Reporting Period |
| 5(a)(3) | Prior significant recommendations on which corrective action has not been completed | Significant Recommendations from Prior Reporting Periods Without Final Action as of March 31, 2019 |
| 5(a)(4) | Matters referred to prosecutive authorities | Legal Actions Summary |
| 5(a)(5) | Instances in which requested information was refused | N/A |
| 5(a)(6) | List of audit, inspection, and evaluation reports | Reports Issued; Reports with Questioned Costs |
| 5(a)(7) | Significant reports | Throughout |
| 5(a)(8) | Audit, inspection, and evaluation statistical tables | Statistical Highlights |
| 5(a)(9) | Audit, inspection, and evaluation reports with recommendations that funds be put to better use | Reports with Recommendations That Funds Be Put to Better Use |
| 5(a)(10) | Audit, inspection, and evaluation reports without management decision, without comment within 60 days, or with unimplemented recommendations | Reports from Prior Periods with Overdue Management Decisions; Reports from Prior Periods with Open Recommendations as of March 31, 2019 |
| 5(a)(11) | Revised management decisions | Significant Revised Management Decisions |
| 5(a)(12) | Management decisions with which the Inspector General disagrees | Significant Management Decisions with Which OIG Disagrees |
| 5(a)(13) | Information described under section 05(b) of the Federal Financial Management Improvement Act of 1996 | Federal Financial Management Improvement Act |
| 5(a)(14)(16) | Peer review results | External Peer Reviews |
| 5(a)(17)(18) | Investigative statistical tables and supporting metrics | Investigations Reporting Statistics |
| 5(a)(19) | Investigations involving a senior government employee where allegations of misconduct were substantiated | Investigations Involving a Senior Government Employee Where Misconduct Was Substantiated |
| 5(a)(20) | Whistleblower retaliation | Whistleblower Retaliation Cases |
| 5(a)(21) | Attempts to interfere with the independence of OIG | Instances of Interference |
| 5(a)(22) | Each closed inspection, evaluation, and audit not disclosed to the public; each closed investigation involving a senior government employee not disclosed to the public | Investigations Involving a Senior Government Employee that Is Closed and Not Disclosed to the Public |

Make a Difference

To promote integrity, economy, and efficiency, we encourage you to report instances of fraud, waste, or mismanagement to the OIG Hotline.*

Online: <https://www.sba.gov/oig/hotline>

Write or Visit:

U.S. Small Business Administration
Office of Inspector General
Investigations Division
409 Third Street, SW (5th Floor)
Washington, DC 20416

*In accordance with Sections 7 and 8L(b)(2)(B) of the Inspector General's Act, confidentiality of a complainant's personally identifying information is mandatory, absent express consent by the complainant authorizing the release of such information.